Chapter 26
Netherlands

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Abstract The Netherlands traditionally had ample early retirement possibilities. Several reforms introduced from the late 1990s onward contributed to the successful reversal of this early exit trend. As a result, in 2018, employees on average retired at age 65.0, representing a three-year increase in the last ten years. This chapter describes the Dutch pension system and recent employment, health and care policies and reforms that have likely shaped the changes in the effective retirement age. We conclude with a short discussion of the current debate about future changes to the statutory retirement age and consider other potential avenues through which policies could yield further increases in the effective retirement age of Dutch workers.

Keywords Retirement · Pension policy · Care policy · Age stereotypes · Netherlands

Introduction

The Netherlands has long been known as an early retirement country. In the 1990s and early 2000s, workers tended to retire approximately five years before reaching the statutory retirement age of 65 years, with the difference being somewhat larger for women than for men. This picture is no longer accurate. In 2018, employees on average retired at age 65.0, a more than three-year increase in the last ten years (Statistics Netherlands 2019a). In this chapter, we describe the Dutch pension system and reforms in various policy domains that have likely shaped the changes in the effective retirement age. We conclude with a short overview of the most recent changes to the statutory retirement age and other future changes. We also discuss potential avenues through which policies could yield further increases in the effective retirement age of Dutch workers.

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Pension Policies[1] and Retirement Age

The Dutch pension system is usually described as a hybrid version resembling a corporatist (continental) welfare type with regards to early pension regulations, and a social-democratic (Scandinavian) type when it comes to a universal state pension for each resident (Schils 2008; Van Gestel et al. 2014). It consists of three pillars. The first pillar is the universal state pension (Dutch: *Algemene Ouderdomswet, AOW*), introduced in 1957. All people living or working in the Netherlands accumulate state pension benefits for every year of residence. The state pension is organised as a Pay-As-You-Go scheme.

The second pillar in the Dutch pension system consists of collective pensions. Employers and employees both contribute to this part of the pension system during working life. Even though employees are not obliged by law to contribute to a collective pension fund, governments can make contributions to collective pensions obligatory if employer organisations and labour unions decide to arrange occupational pensions (Pensioenfederatie 2010). Consequently, more than 90% of all employees in the Netherlands participate in collective pension schemes (OECD 2014; Schils 2008).

The third pillar comprises private pension arrangements. These are mostly used by self-employed persons and persons employed in organisations or sectors in which no collective pensions are available (Pensioenfederatie 2010). Compared to the state pension and collective pension, fewer people are insured through private pension arrangements.

In the Netherlands, the statutory retirement age was 65 years until 2014. From 2015 onwards, the statutory retirement age was set to gradually increase to 66 years in 2018 and to 67 years by the year 2023. Later, even faster increases were agreed upon, making the statutory retirement age reach 67 years already in 2021, and linking statutory retirement age to life expectancy thereafter. However, following heated discussions regarding these increases, the Dutch government has decided in July 2019 that retirement age will increase less rapidly, effective immediately. This means that the statutory retirement age will remain 66 years and 4 months until 2021, and then increase by three months each year until reaching 67 in 2024.

Employment Policies

Traditionally, it was rather common for Dutch workers to leave the labour market before they had reached statutory retirement age, enabled by early retirement schemes. The first ‘early exit’ scheme (Dutch: *Vervroegd uittreden, VUT*), introduced in the late 1970s, offered generous possibilities of leaving the labour market around age 60 (Euwals et al. 2004; Van Oorschot and Jensen 2009). Retiring through the *VUT* provided older persons with an income of 70–80% of their last monthly

[1] The description of the Dutch pension policies partly relies on Fleischmann and Koster (2016).

wage. Delaying early retirement past *VUT* age did not increase this replacement rate, and persons choosing these early retirement benefits did not experience any reduction in their state pension.

The 1990s saw a growing awareness that the early retirement scheme *VUT* would become unsustainable in the long-term (Euwals et al. 2004) and several changes were implemented in the late 1990s. *VUT* benefits were phased out and the *prepension* (*Dutch: prepensioen*) was implemented. In contrast to the *VUT*, the *prepension* was capital funded, meaning that benefits were paid from members' own contributions (as a kind of savings scheme) rather than from the current workforce's contributions. Moreover, the earlier workers exited the labour market through the *prepension*, the lower was their replacement rate and, thus, their retirement benefits. Through the lower replacement rate, older workers were discouraged from retiring early (Conen et al. 2011; OECD 2014). From the 2000s onward, additional changes were introduced. In 2006, the Dutch government decided to tax both the premium and the benefits received through early retirement regulations (Euwals et al. 2004; Van Oorschot and Jensen 2009). This further decreased the financial attractiveness of early retirement schemes.

Flexible employment, in terms of part-time employment, is very common in the Netherlands, especially among women. Approximately 74% of women, and 27% of men, worked part-time (i.e. less than 35 h per week) in 2017 (Statistics Netherlands 2019b). In the last years, this percentage has been quite constant for women, but has risen from about 20% in 2003 to the current rate for men. This rise among men is mostly driven by the 25–45 year olds, who increasingly used part-time work to combine work and childcare. Among older men and women, a slight decrease in the propensity to work part-time has been noted. This decrease might be attributable to the previously described policies, which are stimulating labour market participation in this age group.

An explicit law against age-based discrimination at work was implemented in the Netherlands in 2003, in addition to a general anti-discrimination law that was in place already. Nevertheless, employers remain less likely to recruit older workers and to invest in them compared to their younger counterparts (Fleischmann and Koster 2018; Karpinska et al. 2011; Lazazzara et al. 2013). This may be related to persistent age stereotypes. Studies found that Dutch employers regarded older workers to be less interested in and to have lower acceptance of new technologies than their younger counterparts, to have a greater resistance to change, to be less capable of doing physical work and to have higher absenteeism (Henkens 2005; Remery et al. 2003). However, they also thought older workers had greater social skills, were more reliable and more careful (Henkens 2005; Van Dalen et al. 2006).

Health and Care Policies

The Work Disability Act (*Dutch: Wet Arbeidsongeschiktheid, WAO*), introduced in 1966, was often used to 'retire' early with generous disability benefits (OECD 2014) and employers had made use of disability benefits to lay off older workers (Conen et al. 2011). The very high numbers of people receiving disability benefits became known as the 'Dutch disease' (Ebbinghaus and Hofäcker 2013). In the late 1980s, access to *WAO* benefits was limited through several reforms. Before the *WAO* was replaced by a new law, the replacement rate in case of full disability was 70% of the prior wage paid for six years for those aged 58 years (Van Oorschot and Jensen 2009) and until statutory retirement age for those who were older. In 2006, the *WAO* was succeeded by the Act 'Work and Income depending on Work Ability' (*Dutch: Wet Werk en Inkomen naar Arbeidsvermogen, WIA*). The *WIA* places a stronger emphasis on ability and rehabilitation rather than disability, for example, by stating that people are expected to re-enter the labour market and work according to their abilities (OECD 2014). The shift from a disability scheme to an ability scheme reflects the normative shift in the Netherlands toward a 'participation society' characterised by a strong emphasis on individual responsibility (cf. Van Oorschot 2006).

It has been argued that the desire of the Dutch government to encourage the labour market participation of men and women in later mid-life may clash with the long-term care (LTC) reforms that have been implemented in the Netherlands (Putters 2014; Sadiraj et al. 2009). In the Netherlands public coverage of services for LTC services, i.e. provisions helping and supporting people coping with health problems that limit them in their activities of daily living (Österle and Rothgang 2010), has traditionally been extensive. The Netherlands was among the first countries in Europe to introduce a universal social insurance scheme covering the risk of being in need of long-term care: the Exceptional Medical Expenses Act (Dutch: *Algemene Wet Bijzondere Ziektekosten*; AWBZ). The scope of the AWBZ was continually expanded in the years following its introduction in 1968, until the rising costs of care eventually led to a long series of changes in the way LTC was organised. From the early 1980s onwards de-institutionalisation was promoted: whenever possible, care preferably had to be provided at home, rather than in residential care settings (Da Roit 2012). From the early 2000s onwards, barriers hampering the use of LTC services were increased. Co-payments were increased substantially in 2004, particularly for home-based services (Da Roit 2012; Schut and Van Den Berg 2010) and care assessors started considering the potential availability of informal care in more stringent ways when determining eligibility for AWBZ services (Grootegoed et al. 2015; Morée et al. 2007).

With the introduction of the Social Support Act (Dutch: *Wet maatschappelijke ondersteuning*, Wmo) in 2007, the provision of household services, *e.g.* cleaning the home, became the responsibility of municipalities, and residents in need of care were no longer entitled to household help. Instead, the Wmo is based on the principle of subsidiarity: individuals are principally responsible to find ways to have their care needs met, preferably with the help of their social and family networks. People's entitlement to care services further weakened in 2015, when the AWBZ was replaced by the Long-Term Care Act (Dutch: *Wet langdurige zorg*, Wlz). The Wlz is a universal social insurance scheme, like the AWBZ, but with a much smaller scope. It only covers care to people who need support 24 h per day. Lighter forms of nursing care and personal care services have been transferred to the Health Insurance Act (Dutch: *Zorgverzekeringswet*, Zvw) and the Wmo. The end of the AWBZ meant that municipalities have become responsible for a broader range of LTC services, which they provide according to the principle of subsidiarity that underlies the Wmo (Van den Broek et al. 2019). The Wmo also obliges municipalities to support informal caregivers through the provision of information, advice and guidance, emotional support, education, practical help, financial support and material support. International research indicates that, particularly for women, providing informal care is associated with an increased risk of reducing employment hours or quitting paid work altogether (Berecki-Gisolf et al. 2008; Lee et al. 2015). Scholars have therefore expressed concerns that the stronger call in the Netherlands on the family to provide support to close relatives in need may have a particularly negatively impact on the labour market participation of women in later midlife (Van den Broek 2013; Van Hooren and Becker 2012).

Debate on Appropriate Future Statutory Retirement Age

As indicated above, the Dutch government recently agreed upon that statutory retirement age will increase less quickly than previously planned. The reforms have been accepted in July 2019 and are effective from January 2020 onwards. Several discussions concerned with socio-economic differences in work exit (e.g. early retirement for physically demanding occupations or obligated disability insurance for self-employed), are still ongoing. A heated discussion in the media centres on the particular situation of those who generally start working at young ages, tend to be employed in more physically strenuous jobs, and have a lower life expectancy (De Beer and Van der Gaag 2018). Several pundits have argued that it would be fair if these people would be granted opportunities to retire early.

Also employers, particularly those in the construction and industry sectors, are concerned about the implications of a rapidly rising statutory retirement age for the composition of their workforce (Oude Mulders et al. 2018). Moreover, 82% of employers, especially those in construction and industry, where physical work is most prevalent, are in favour of a lower retirement age for physically demanding jobs (van Dalen et al. 2019).

Conclusions and Policy Recommendations

The changes to the statutory retirement age, employment policies and health and care policies described in this chapter have resulted in clear rises in the effective retirement age. The average retirement ages for female and male employees have increased significantly over the last few years and women on average retire only slightly earlier than men (Statistics Netherlands 2018). Of all Dutch employees retiring in 2016 and

2017, approximately half of them retired at age 65, while ten years earlier, only around ten per cent retired at age 65 (Statistics Netherlands 2019a). The current debate regarding retirement and pension focuses on the pace the statutory retirement age should be raised, as well as socio-economic and occupational differences (De Beer et al. 2018).

The OECD (2014) advised that even longer careers may become more attractive in the Netherlands if additional occupational pension rights could be accrued when working past state pension age. Furthermore, the role of employers could be addressed more strongly. Even though employers appear to be increasingly willing to retain older employees, they are still hesitant to recruit older persons (OECD 2014). Also, many employers in a recent survey reported that they considered implementing measures that would facilitate older workers' labour market participation, such as training programmes and possibilities for sabbaticals or career breaks (Fleischmann et al. 2015), but few employers actually implemented these measures (Fleischmann et al. 2015; Van Dalen et al. 2010). The OECD (2014) advised removing age barriers, enforcing age neutral personnel treatment and implementing additional legislation against age discrimination. Also, financial incentives may make employers more likely to invest in older workers. For instance, a recent study showed that government provided subsidies may reduce age-based discrimination in employers' decisions about whether or not to invest in training for employees (Fleischmann and Koster 2018). Finally, the employability of older persons is lagging behind. To advance this, the OECD (2014) suggested to provide better information on the particular training needs that older persons might have and to consider job-specific training, rather than generic training. Potential future rises in the effective retirement age may thus demand that government, employers and employees consider measures to enhance employability of older persons.

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